

# Palm oil re-emerging as 'discount oil': USDA

## Our Bureau

Mangaluru

Palm oil is re-emerging as the global discount oil despite Indonesia's efforts to boost its prices through its bio-diesel policy, the Foreign Agricultural Service (FAS) of the US Department of Agriculture (USDA) has said in its latest report 'Oilseeds: World Markets and Trade'

It said the current discount level between palm and soybean oil will likely be sustained with reduced Argentine soybean production and strong US bio-diesel demand outweighing the impact of Indonesia palm oil policy.

The Malaysian ringgit continued to depreciate until November when the palm to soybean oil discount reached a high of \$491 a tonne. Since then, the ringgit has strengthened to more typical exchange levels and Indonesia has reimposed export levies. This contributed to a falling discount between palm oil and South American soybean oil to around \$200 a tonne by the end of January, still higher than typical, it said.

"A higher amount of sunflower seed oil reaching global markets will also act as a downward force on palm oil prices as it competes for market share in places like India," it said.

In its outlook for India, the report estimated the import of palm oil to be up in India due to the higher stocking on attractive prices.

## GLOBAL OUTPUT CUT

Indonesia recently implemented a higher biofuel blending mandate (B35) and its impact on global markets is yet to be realised. However, it could lead to reduced exportable palm oil supplies, rising prices, and a reduced discount compared to soybean oil, the report said.

The latest report lowered



the global oilseed production by 6 million tonnes (mt). According to the report, global oilseed production is estimated at 636.72 mt against 641.94 mt made in January.

The report attributed reduced soybean outlook in Argentina and Ukraine, and reduced Russia sunflower seed as reasons. It estimated Argentina's soybean production at 41 mt for February (45.5 mt in January estimation). According to the report, sunflower seed production in Russia is estimated at 6.19 mt for the marketing year (MY) 2022-23 (September to August) against 5.82 mt in MY 2021-22.

However, the trade has been revised upwards with lower exports of soybeans outweighed by higher rapeseed exports from Canada and Australia. It estimated the global exports of soybean at 167.47 mt in February (167.53 mt). Rapeseed exports are estimated at 19.28 mt in February (18.25 mt). Rapeseed exports from Canada is estimated at 8.40 mt for MY 2022-23 (August-July) against 5.23 mt in MY 2021-22.

## SCENARIO UNCHANGED

However, it said total oil production is largely unchanged with trade rising on higher sunflower seed oil exports. It estimated global vegetable oil production at 217.58 mt for February (217.62 mt in January estimation). Sunflower seed oil export was estimated at 11.34 mt for February (10.67 mt).